



**CITY OF SCOTTSDALE POLICE LOCAL BOARD OF THE
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
REGULAR MEETING**

**11:00 a.m., Thursday, July 21, 2011
Human Resources Verde Conference Room
7575 E. Main Street
Scottsdale, Arizona 85251**

PRESENT: Jack Cross, Chairman/Mayoral Designee
James Butera, Elected Member
Jeffrey Walther, Elected Member

ABSENT: Jeffrey Burg, Citizen Member
Velicia McMillan, Citizen Member/Merit Head

STAFF: Colleen Barraza
Ken Nemec
Chanda Washington

OTHER: Michael Anthony, Esq.
Hanna Auckland, Esq.

Call to order

Chairman Cross called the meeting to order at 11:01 a.m. He stated that the first order of business was the acknowledgement of Board Members Burg and McMillan's excused absences.

Roll call

A formal roll call confirmed the members present as stated above.

1. Review and Approval of Meeting Minutes—June 16, 2011.

Mr. Nemec requested that Ms. Auckland's name be deleted from the minute's attendance list since she was not present at the June 16, 2011 meeting.

**BOARD MEMBER WALTHER MOVED TO APPROVE THE REGULAR MEETING
MINUTES OF THE JUNE 16, 2011 PSPRS POLICE LOCAL BOARD MEETING AS**

AMENDED. BOARD MEMBER BUTERA SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF THREE (3) TO ZERO (0). BOARD MEMBERS BURG AND MCMILLAN WERE ABSENT.

2. Induction of New Scottsdale Police Officers into PSPRS

Mr. Nemec announced that there were no new Scottsdale Police Officers to induct into the PSPRS.

**3. Discussion and Vote on the DROP (Deferred Retirement Option Plan)
Application of Police Officer Raymond P. Rheingans**

Ms. Washington reported that Police Officer Raymond P. Rheingans was entering into the DROP on June 17, 2011 with approximately 25.973 years of service. She stated that his paperwork was in order and the monthly pension check associated with this application was \$5,570.38.

BOARD MEMBER BUTERA MOVED TO APPROVE THE DROP (DEFERRED RETIREMENT OPTION PLAN) APPLICATION OF POLICE OFFICER RAYMOND P. RHEINGANS EFFECTIVE JUNE 17, 2011, SUBJECT TO FINAL PAYROLL CALCULATIONS AND QUALIFIED DOMESTIC RELATIONS ORDERS. BOARD MEMBER WALTHER SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF THREE (3) TO ZERO (0). BOARD MEMBERS BURG AND MCMILLAN WERE ABSENT.

**4. Discussion and Vote on the DROP (Deferred Retirement Option Plan)
Application of Police Officer David M. Pubins.**

Ms. Washington reported that Police Officer David M. Pubins was entering into the DROP on June 30, 2011 with approximately 20.005 years of service. She stated that his paperwork was in order and the monthly pension check associated with this application was \$3,939.62.

BOARD MEMBER WALTHER MOVED TO APPROVE THE DROP (DEFERRED RETIREMENT OPTION PLAN) APPLICATION OF POLICE OFFICER DAVID M. PUBINS EFFECTIVE JUNE 30, 2011, SUBJECT TO FINAL PAYROLL CALCULATIONS AND QUALIFIED DOMESTIC RELATIONS ORDERS. BOARD MEMBER BUTERA SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF THREE (3) TO ZERO (0). BOARD MEMBERS BURG AND MCMILLAN WERE ABSENT.

**5. Discussion and Vote on the DROP (Deferred Retirement Option Plan)
Application of Police Sergeant James M. Dear.**

Ms. Washington reported that Police Sergeant James M. Dear was entering into the DROP on June 16, 2011 with approximately 20.259 years of service. She stated that his paperwork was in order and the monthly pension check associated with this application was \$4,743.80.

BOARD MEMBER BUTERA MOVED TO APPROVE THE DROP (DEFERRED RETIREMENT OPTION PLAN) APPLICATION OF POLICE SERGEANT JAMES M.

DEAR EFFECTIVE JUNE 16, 2011, SUBJECT TO FINAL PAYROLL CALCULATIONS AND QUALIFIED DOMESTIC RELATIONS ORDERS. BOARD MEMBER WALTHER SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF THREE (3) TO ZERO (0). BOARD MEMBERS BURG AND MCMILLAN WERE ABSENT.

6. Discussion and Vote on the Survivor Benefits application of Mrs. Lu Anne Dean widow of deceased retiree and PSPRS member Ronald Dean

Ms. Washington reported that Police Officer Ronald Dean passed away on June 5, 2011 and his surviving spouse Lu Anne Dean was applying for the surviving spouse benefit which would become effective as of July 1, 2011. She stated that her paperwork was in order and the monthly pension check associated with this application was \$3,348.06.

Mr. Nemec explained that since Officer Dean retired in 1988 there probably were not many people who remember him. Board Member Walther pointed out that the deceased officer started working for the City of Scottsdale in 1966. Board Member Butera recalled that Officer Dean ran for Marshall in Fountain Hills several times.

BOARD MEMBER WALTHER MOVED TO APPROVE THE SURVIVOR BENEFITS OF THE APPLICATION OF MRS. LU ANNE DEAN, WIDOW OF DECEASED RETIREE AND PSPRS MEMBER RONALD DEAN EFFECTIVE JULY 1, 2011. BOARD MEMBER BUTERA SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF THREE (3) TO ZERO (0). BOARD MEMBERS BURG AND MCMILLAN WERE ABSENT.

7. Report to the Board on Recently Completed Transfers of Prior Service Credits

Ms. Washington reported that Diane Montinayer was redeeming .108 years of prior military service by doing a rollover from her deferred comp account in the amount of \$4,197.00. She stated that this purchase of service gave Ms. Montinayer a total of 19.478 years of service with Public Safety.

Ms. Washington reported that Richard Holloba was redeeming 1.205 years of prior service with Bellevue Washington Police by doing a rollover from his deferred comp account in the amount of \$10,814.20 in addition to a personal check in the amount of \$511.00. She stated that this purchase of service gave Mr. Holloba a total of 15.405 years of service with Public Safety.

8. Discuss recently passed legislation and corresponding effect on benefits provided by PSPRS

Ms. Auckland presented copies of recently passed legislation Senate Bill 1609 along with copies of Senate Bill 1317 discussed at the May 19, 2011 Board meeting. She explained that today's discussion would focus primarily on the Senate Bill 1609 changes to the DROP program such as contribution rates and retirement benefits.

Ms. Auckland reported that pages 1-2 reference Section 13-713 titled "Forfeiture of Public Retirement System Benefits" which applies to all pension plans as follows:

"If a member is convicted of or pleads no contest to a class 1-5 felony that is committed in the course of their employment, then they will forfeit their retirement benefits."

She stated that the PSPRS members are still entitled to a return of their contributions to the System plus interest and a court may still award benefits to a dependent or former spouse of a member.

Ms. Auckland stated that page 34 references the Public Safety statutes noting that the definition of the average monthly benefit compensation used to calculate a monthly retirement benefit as well as the final average compensation has been changed.

She elaborated that for anyone who becomes a member of Public Safety before January 1, 2012 staff would use the member's three consecutive years that yield the highest average to calculate their retirement benefits; for anyone who becomes a member after that time, staff would use their highest five consecutive years to calculate their retirement benefits.

Ms. Auckland stated that they also changed the definition of member listed on page 39, adding police and fire chiefs as employees now eligible to become members of the System retroactive to January 1, 2009.

In response to Ms. Auckland's inquiry regarding when the City of Scottsdale Police Chief and Fire Chief were hired, Mr. Nemec responded that the new Fire Chief was hired a couple of months ago. Board Member Walther recalled that the Police Chief was hired in 2002.

Ms. Auckland recalled that there was one Fire Chief who does not want to be a member of the System even though the new legislature requires it. Mr. Anthony stated that the legislature happened to pick his date of employment as the retroactive date of the legislature.

Discussion ensued regarding retiring Fire and Police Chiefs now being required to be 62 years old and having a 15 year buy-in. Mr. Anthony stated that it will be tough searching outside the System for Police Chief or Fire Chief candidates.

Ms. Auckland summarized that the normal retirement date of current members has changed to 20 years of service or 62 years old with 15 years of service and for anyone who becomes a member after January 1, 2012 they must be 52.5 years old with a minimum of 25 years of service.

She stated that updated provision 38-746 states that if a member meets the service requirement but not the age requirement they are still entitled to a retirement benefit, noting that the legislation may be referencing a normal retirement benefit.

Ms. Auckland recalled that the current contribution rate for all members is 7.65% of the member's compensation, noting that Section 38-843 titled "Contributions" on page 44 now requires that the member contribution rate be increased in 1% increments for each year beginning on July 1, 2011.

She stated that after July 1, 2016 the member compensation rate would be adjusted using the lesser of the 11.65% compensation rate or alternate computation rate determined by the Board of Trustees, not dropping below 7.65%.

Discussion ensued regarding the downward adjustment not occurring for quite a while since the 2008-2009 fiscal year performance was the lowest in the history of the PSPRS.

Ms. Auckland reported that Section 38-843.05 states that the employer must pay an irrevocable alternate contribution rate of at least 8% for any retired member that has returned to work in any capacity for a position normally held by a PSPRS member.

Mr. Nemec stated that staff was still cross-checking members that fit this criteria. Ms. Washington noted that there was at least one person they have to double-check.

Mr. Anthony stated that many of the legislature changes were pushed by labor interests, since from the union's perspective there was a disincentive for retired ex-members to be brought back and hired by the City to occupy positions of former members.

Ms. Auckland explained that Section 38-844.02. and 38-844.03 establish that an applicant must be a PSPRS member before January 1, 2011 in order to stay in DROP.

Section 38-844.05 on page 47 requires that for any member having less than 20 years of service who elects to participate after January 1, 2012 the interest that accrues on their DROP account must be at least 2% not exceeding the average rate of return earned by the System.

Ms. Auckland summarized that Section 38-844.06 was a DROP provision that states that an employee rate of contribution would continue if they enter the DROP after January 1, 2012. She pointed out that as things currently stand, employer and employee contributions to the System stop for anyone who enters DROP after January 1, 2012.

Ms. Auckland reported that according to Section 38-845 any current member who retires with 20 years of credited service would receive 50% of the average monthly benefit. Anyone who becomes a member after January 1, 2012 must retire with 25 years of credit service in order to receive a benefit of 62.5% of the average monthly benefit.

She outlined that Section 38-846.01 removes the deferred annuity for anyone who becomes a member after January 1, 2012, section 38-846.02 changes the benefit amounts available to those same members upon termination if they terminate for a reason other than death or retirement, and Section 38-846 states that any member who terminates employment and receives a refund from the System who later returns to employment must adhere to the current legislation.

Chairman Cross recalled that Section 38-846 was in contradiction to the Norton case wherein a DPS radio operator who was a member who quit and later returned to employment when the legislature no longer allowed radio operators to be members of Public Safety. He stated that the courts decided that the employee was able to retain his rights to be a member under the old legislature.

Ms. Auckland summarized that Section 38-849 was a return to work provision that restricts the receipt of pension benefits when convicted of a listed crime, Section 38-853.01 requires that a member must have 10 years of service in order to redeem up to five years of prior military service, and Section 38-856.02 allows for permanent future benefit increases for retirees and their survivors when funds are available.

She stated that Section 38-858 relates to prior military service, noting that it was similar to Section 38-853.01.

CLOSED PUBLIC HEARING

9. Motion to Recess into Executive Session.

Chairman Cross deemed it unnecessary to recess into Executive Session.

**RECONVENE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM MEETING
FOLLOWING EXECUTIVE SESSION**

10. Board Suggestions for Upcoming Agenda Items

Chairman Cross confirmed that there were no suggestions for upcoming agenda items.

ADJOURNMENT:

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 11:34 a.m.

Respectfully Submitted by:

REVIEWED BY:

Ken Nemec
PSPRS Police Local Board Secretary

Jack Cross
PSPRS Chairman/Mayoral Designee